



U.S. Department of Transportation
Federal Highway Administration

IMPROVED
CONSTRUCTION
new strategies to enhance the quality
MAINTENANCE
AND
performance of highway systems
TECHNOLOGIES

Innovative Contracting: States Implement New Approaches

In traditional highway construction contracting, cost is generally the one criterion that determines a winning bid. But in recent years, as State highway agencies strive to meet customer needs, factors other than cost have also emerged as important: quality, delivery time, social and economic impact, safety, public perceptions, life-cycle costs, and use of improved technologies. Innovative contracting techniques address these factors.

Since 1990, the Federal Highway Administration (FHWA) has been supporting the evaluation of nontraditional contracting techniques through Special Experimental Projects No. 14, Innovative Contracting (SEP-14) to improve efficiency in highway project delivery. The objective of SEP-14 is to assess innovative contracting practices that might reduce the life-cycle cost of projects while maintaining product quality.

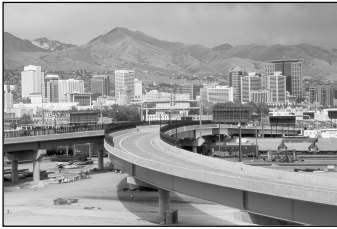
After evaluation in many States, three of the four SEP-14 experimental techniques have been declared operational: cost-plus-time bidding, lane rental, and warranty clauses. This means that FHWA headquarter's concept approval is not necessary. A fourth technique, design-build, is still being evaluated.

COST-PLUS-TIME BIDDING AND LANE RENTAL

Sometimes referred to as A+B bidding, cost-plus-time bidding is a procedure that selects the low bidder based on a monetary combination of the contract bid items (A) and the time (B) needed to complete the critical portion of the project. This procedure is intended to provide a contractual incentive for the contractor to minimize delivery time for high priority and congested roadways by offering incentives for early completion and assessing disincentives for late completion.

Lane rental is the practice of charging the contractor a fee for occupying lanes or shoulders during construction. Charges are based on hourly or daily rates and can vary with time of day, amount of traffic, and other measures of user costs. Similar to cost-plus-time bidding, lane rental provides a contractual incentive for early completion.

Cost-plus-time bidding and lane rental were declared operational in 1995 following favorable findings in many States.



Design-build improves delivery times

In Utah's I-15 reconstruction, design-build contracting delivered a safe, high-quality highway to users in a little more than 4 years—at least 4 years earlier than traditional contracting methods would allow.

Visit www.ic.usu.edu for more information on innovative contracting procedures.

WARRANTY CLAUSES

Warranties are intended to increase the quality of a product thereby giving the contractor responsibility for replacement or repair of deficiencies. FHWA's current policy in Title 23 Code of Federal Regulations 635.413 permits warranties on National Highway System projects for specific construction products or features. Routine maintenance items are still not eligible for Federal participation, and warranty items must be within the control of contractors.

Eight States evaluated the use of warranties under SEP-14, and since the final rule making, an additional 17 States have evaluated warranty specifications.

DESIGN-BUILD

“Design-build” refers to contracting with a single firm for the design and construction of a project to decrease project delivery time and associated user costs. This technique allows the contractor greater flexibility for innovation in design, materials selection, and construction methods.

In design-build contracting, the highway agency identifies the scope of work and establishes the design criteria. The proposers then develop technical proposals that optimize their abilities. Proposals may be rated on factors such as technical quality, timeliness, and management capability, as well as cost.

Twenty-four States and several metropolitan areas have design-build projects approved or underway. FHWA expects to issue a design-build notice of proposed rule making in 2001.

INNOVATIVE CONTRACTING WEB SITE

Ten years after the inception of SEP-14, innovative contracting procedures have been adopted by many States. FHWA continues to support the sharing of best practices in nontraditional contracting, and has provided financial assistance to the Utah State University Local Technology Assistance Program to study best practices in innovative contracting and disseminate best practice information (see www.ic.usu.edu).

For more information, contact your local FHWA division office or:

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